

The Impact of Rising House Prices on Stamp Duty in 2022



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Introduction

It's been 9 years since the publication of our [Stamping on Aspiration report](#), where we reported on the astonishing impact stamp duty was having on the housing market and made [8 recommendations](#) for reform. Since then, Government has made substantial changes to make the system fairer for those wanting to buy a home:

- In April 2014 ditching the stepped, slab pattern of stamp duty. The rate you pay is applied to the proportion of the property price, rather than the entire property price.
- In April 2016, treating those who are buying a home differently from those who are looking to invest or buy a second home – with a 3% flat surcharge.
- In November 2017 exempting first-time buyers from paying stamp duty on the first £300,000 (the exempt threshold is £125,000 normally).
- In April 2021, treating non residents differently with a 2% flat surcharge. The additional homes surcharge may also apply if buyers own a home abroad.

Although we have come a long way since we published our report, the time was right to take a closer look at the impact of rising house prices on stamp duty and, in particular, on first time buyers.

Key Findings

- **House prices have soared by around £100,000 between 2014 and 2022, but stamp duty bands have not changed**, meaning more people are penalised by the tax than the government intended.
- **Almost a third more first time buyers are having to pay stamp duty, despite the government's first time buyer exemption.** 30% more first time buyers are paying stamp duty than when first time buyer relief was first introduced 5 years ago. One in four (26%) of all first time buyers now pay stamp duty.
- Soaring house prices now mean almost **1 in 5 more homebuyers (+17%) have been pushed into paying higher stamp duty bands.** 44% of transactions now fall in bands above £250K; up from 38% two years ago. An additional 31,500 transactions are now subject to stamp duty, compared to 2 years ago.
- **1 in 4 properties (26%) liable for stamp duty are now in bands above £500K;** up from 1 in 6 two years ago (16%). These properties are subject to stamp duty rates of between 5 - 12%.
- **Almost half of the stamp duty is paid by the surcharge levied at investors and those buying second homes.** The additional properties stamp duty surcharge now makes up 46% of total receipts.

The stamp duty regime in 2022

The Stamp Duty Land Tax (SDLT) is paid on any property or land bought over a certain price in England and Northern Ireland. In Scotland you pay Land and Buildings Transaction Tax and in Wales it is called the Land Transaction Tax.

Stamp duty is paid by the buyer on the proportion of the purchase price that falls within each stamp duty band. So, for example, if the purchase price was £400,000, there would be no stamp duty on the first £125,000, 2% on the next £125,000 amounting to £2,500 (that's the portion between £125,001 and £250,000) and 5% on the remaining £150,000 amounting to £7,500 that falls in the £250,001 - £925,000 band. The total stamp duty owed would be £10,000.

Since 2017, first time buyers pay no stamp duty on the first £300K and 5% on the portion between £300K and £500K. There is no relief if the property is worth more than £500K. So, for example, a first time buyer will pay £5000 in stamp duty for a property costing £400K.

If you are buying an additional property, then you pay a 3% surcharge on top of the standard stamp duty rates. If the purchase price is £400K, then 3% is paid on the first £125K (£3750), 5% is paid on the portion £125,001-£250,000 (£6250) and 8% is paid on the final £150K (£12000). So, it would cost someone buying a £400K second home an extra £22,000 in stamp duty.

Non UK residents pay a 2% flat surcharge. If you are non-resident and own a property abroad, you will also pay the higher additional property surcharge.

We have developed a [stamp duty calculator](#) to help people calculate their stamp duty.

Stamp duty rates in England and Northern Ireland

Purchase price	Standard stamp duty rate	FTB stamp duty rate	Additional property rate
Up to £125,000	0%	0%	3%
£125,0001 to £250,000	2%	0% up to £300K	5%
£250,001 to £925,000	5%	5% up to £500K	8%
£925,001 to £1.5 million	10%	*If property +£500K, normal rates apply	13%
Over £1.5 million	12%		15%

Stamp duty bands are different in Scotland and Wales. There is no first time buyer relief in Wales and no non-resident surcharge in either Wales or Scotland. See our [stamp duty guide](#) and [calculator](#) for a full breakdown of current rates in each UK country.

A history of stamp duty changes

The main stamp duty changes since our 2013 [Stamping on Aspiration](#) report include:

- 2014 - End of slab system, with stamp duty is applied on the portion within each band. Higher stamp duty band rates were introduced.
- 2016 - Introduction of surcharge on second homes and investment properties
- 2017 - Introduction of First time buyer relief on properties under £500K
- Jul 2020 – Oct 2021 - Stamp duty holiday
- Oct 2021 - Return to the 2014 stamp duty rates and 2017 First time buyer relief

The following chart summarises stamp duty changes in England and Northern Ireland over time.

Stamp duty changes over time						
Year	Exempt	Band 1	Band 2	Band 3	Band 4	Band 5
1993	Up to £60K	1% over £60K				
1997	Up to £60K	1% £60K-£250K	1.5% £250K-£500K	2% Over £500K		
1998	Up to £60K	1% £60K-£250K	2% £250K-£500K	3% Over £500K		
1999	Up to £60K	1% £60K-£250K	2.5% £250K-£500K	3.5% Over £500K		
2000	Up to £60K	1% £60K-£250K	3% £250K-£500K	4% Over £500K		
2005	Up to £120K	1% £120K-£250K	3% £250K-£500K	4% Over £500K		
2006	Up to £125K	1% £125K-£250K	3% £250K-£500K	4% Over £500K		
2010	Up to £125K	1% £125K-£250K *FTB exempt	3% £250K-£500K	4% £500K-£1m	5% Over £1m	
2011	Up to £125K	1% £125K-£250K	3% £250K-£500K	4% £500K-£1m	5% Over £1m	
2012	Up to £125K	1% £125K-£250K	3% £250K-£500K	4% £500K-£1m	5% Over £1m	7% Over £2m
End of slab system, rate charged on portion of the property price in each band						
Apr 2014	0% Up to £125K	2% on portion £125K-£250K	5% on portion £250K-£925K	10% on portion £925K-£1.5m	12% on portion above £1.5m	
Apr 2016	3% additional dwellings surcharge on top of each band on homes £40K+					
Nov 2017	First time buyer relief introduced: 0% Up to £300K					
		5% on portion £300-£500K	No FTB relief if property more than £500K			
Apr 2021	Non-resident surcharge introduced: additional 2% on top of each stamp duty band					
Stamp duty holiday (support during Covid)						
Jul 2020 – Jun 2021	0% Up to £500K		5% on portion £500K-£925K	10% on portion £925K-£1.5m	12% on portion above £1.5m	
Jun 2021 – Sep 2021	0% Up to £250K		5% on portion £250K-£925K	10% on portion £925K-£1.5m	12% on portion above £1.5m	
Return of normal stamp duty rates and first time buyer relief						
Oct 2021 – present	0% Up to £125K	2% on portion £125K-£250K	5% on portion £250K-£925K	10% on portion £925K-£1.5m	12% on portion above £1.5m	

The impact of rising house prices on stamp duty

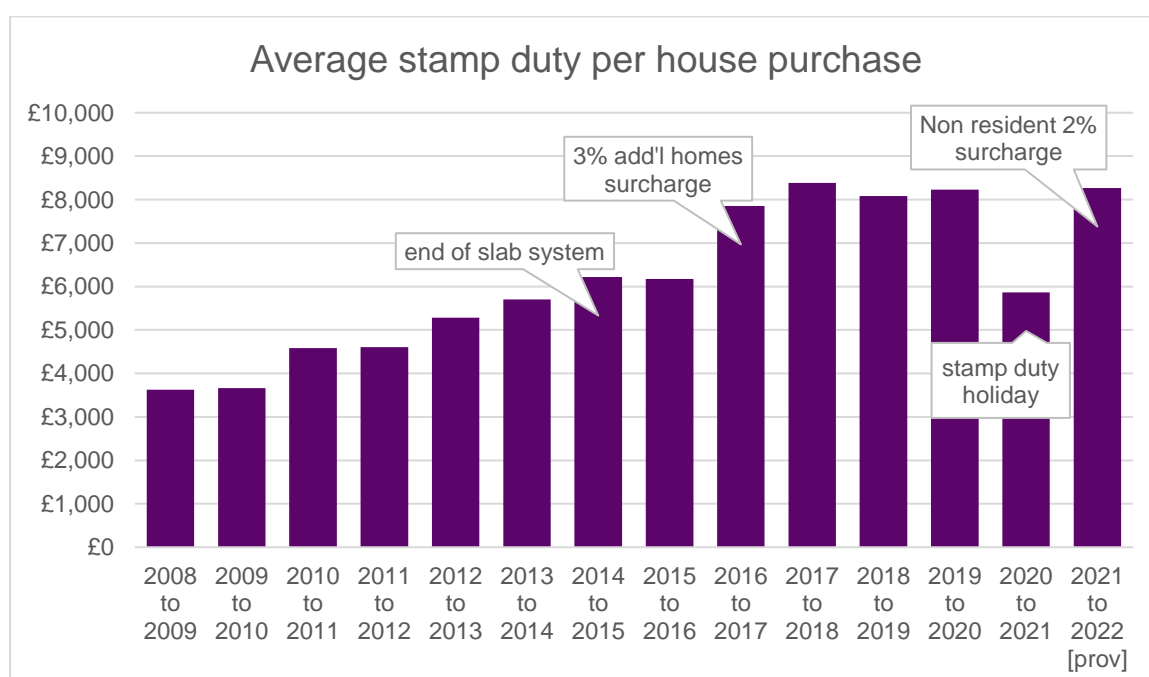
The average UK house price has risen by approximately £100K since the current stamp duty bands were last reviewed eight years ago; up from approximately £180K in March 2014 to just under £280K in March 2022.

Regionally, house prices have increased the most in England, with the biggest absolute rise in house prices in London.

Region	2022 average house price	2014 average house price	£ change	% change
UK	£278,436	£179,537	£98,899	55%
By country:				
England	£297,524	£190,037	£107,487	57%
Wales	£206,395	£130,464	£75,931	58%
Scotland	£181,415	£126,650	£54,765	43%
Northern Ireland	£164,590	£103,570	£61,020	59%
By English region:				
London	£523,666	£361,400	£162,266	45%
South East	£384,966	£243,371	£141,595	58%
East	£343,900	£208,325	£135,575	65%
South West	£313,834	£200,618	£113,216	56%
West Midlands	£240,528	£153,209	£87,319	57%
East Midlands	£240,329	£146,448	£93,881	64%
North West	£205,121	£130,061	£75,060	58%
Yorkshire & Humber	£199,607	£131,800	£67,807	51%
North East	£154,913	£116,317	£38,596	33%

Homebuyers are paying more stamp duty on average

The average amount of stamp duty per house purchase has risen over time but has been relatively stable at approximately £8K since the introduction of the stamp duty surcharge in 2016 (dipping in 2020/ 2021 during the stamp duty holiday). Reduced stamp duty rates were in place until October 2021.

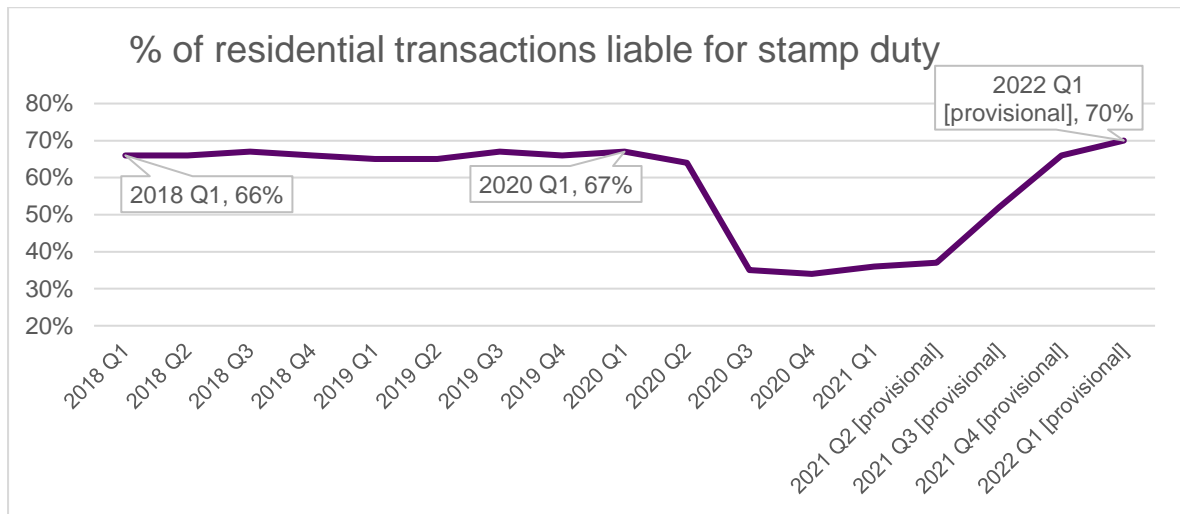


More transactions are liable for stamp duty (Q1 2022 vs Q1 2020)

With the sharp rise in house prices over the past 2 years, more transactions are now liable for stamp duty than before the pandemic.

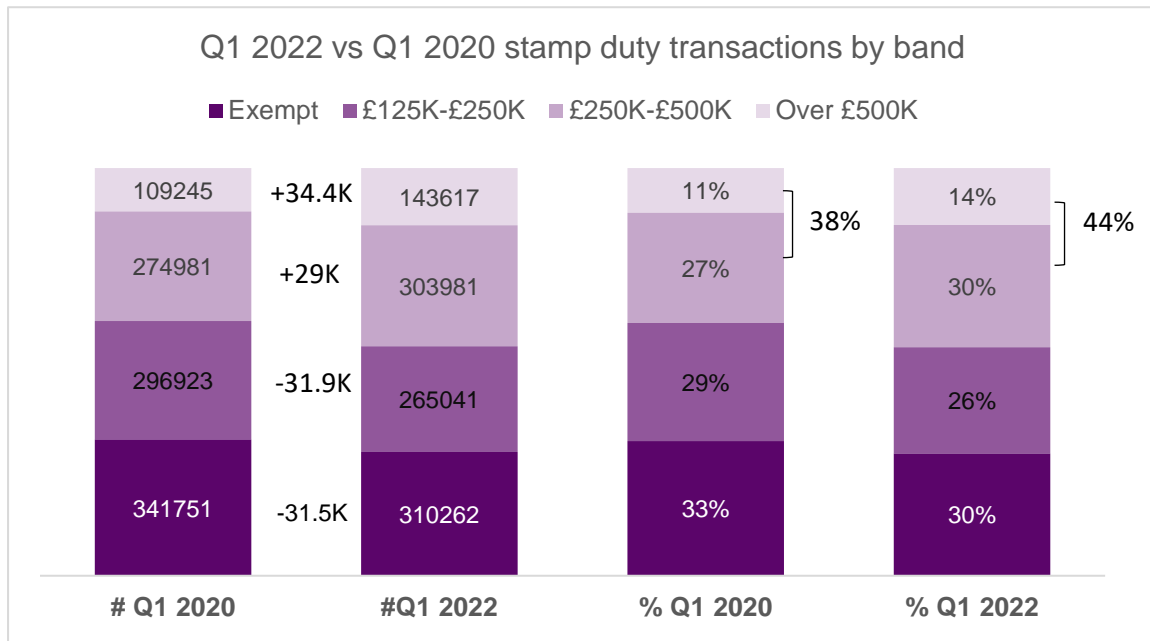
The average UK house price has increased by 20% (+£46K) between March 2020 and March 2022. The average house price in March reached £278,436 up from £232,684 in March 2020.

In Q1 2022 70% of transactions were liable for stamp duty versus 67% in Q1 2020 (pre pandemic). This meant that an extra 31.5K transactions were subject to stamp duty. From Q3 2020 to Q3 2021, the number of transactions that were liable to pay stamp duty fell because of the stamp duty holiday announcements.



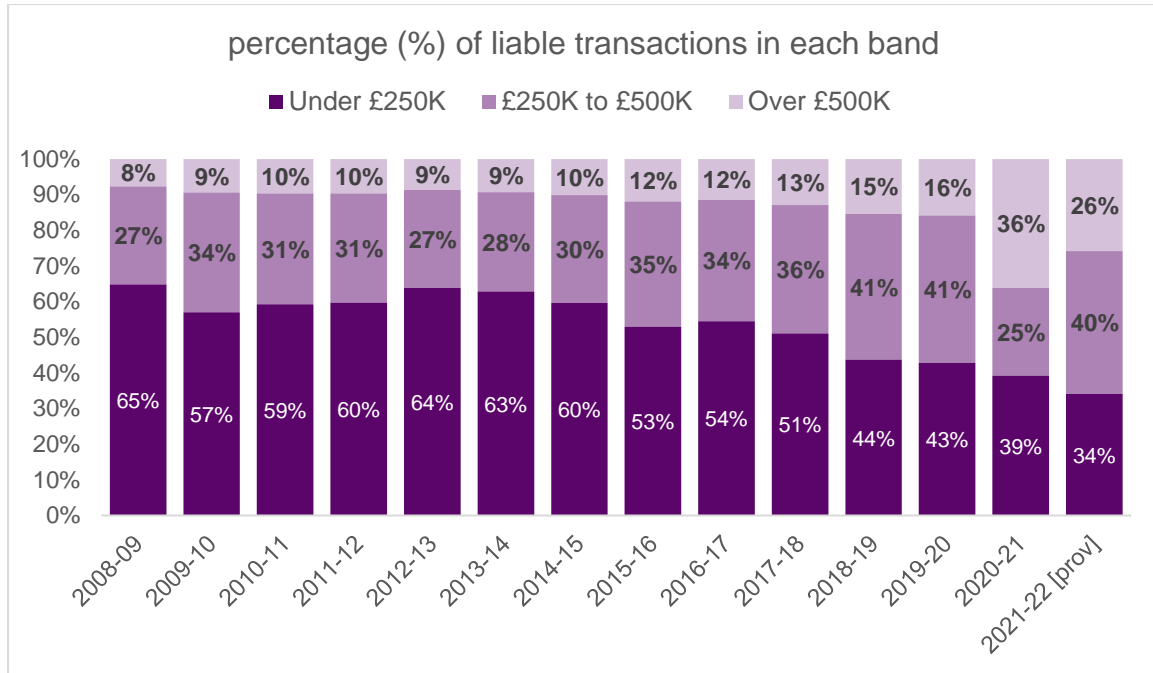
The number of transactions that fall within each stamp duty band

In 2022, more transactions moved up to higher bands. As of March 2022, 44% of transactions are now in stamp duty bands above £250K; up from 38% two years ago. If we assume that the number of transactions in 2022 were the same as in 2020 - at just over 1 million – we would find that an extra 63,000 transactions would fall within the bands above £250K. This is an increase of 17% on 2020 levels.



Liabe transactions by band

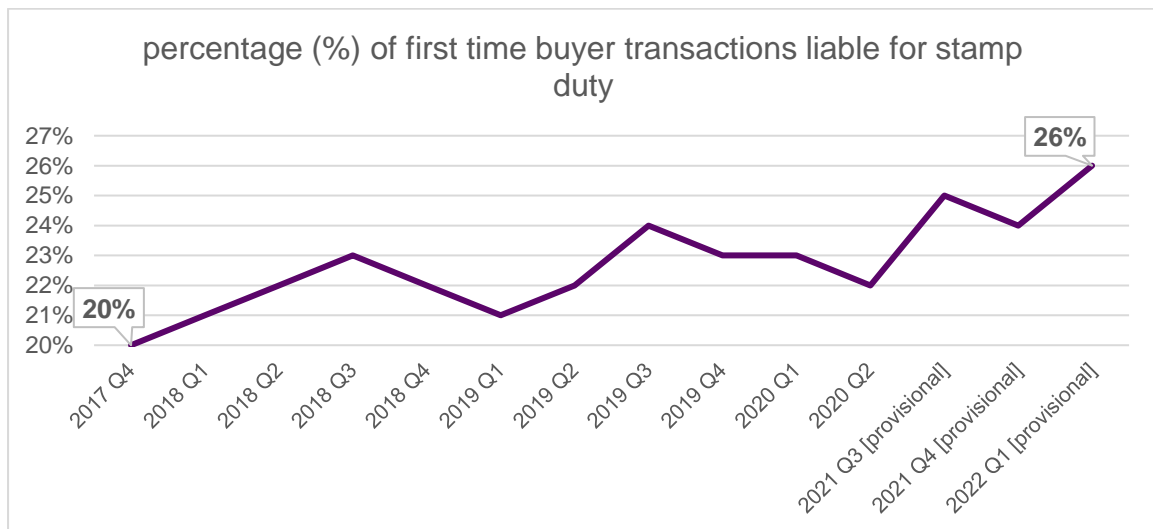
Because of rising house prices, more properties are subject to higher stamp duty rates. Now more than a quarter of transactions fall into bands above £500k and are subject to higher rates of stamp duty (26%). This is up from 1 in 6 (16%) just two years ago.



More first time buyers are paying stamp duty

First time buyer relief was introduced at the end of 2017. This meant that first time buyers did not have to pay any stamp duty for the first £300k and paid a lower rate of 5% on properties purchased up to £500k. First time buyers would not qualify for any relief if they purchased a property for more than 500k.

Since 2017, more first time buyers (26%) have found themselves paying stamp duty on the £300-£500k portion compared to 20% at the end of 2017. This has meant that 30% more first time buyers are now paying stamp duty. This is in line with the increase in house prices over the same time period. The average house price has increased by 29%; from approximately £215K in March 2017 to £278K in March 2022.



The impact of the stamp duty surcharge on overall stamp duty receipts

The 3% surcharge on additional properties has increased overall stamp duty revenue significantly since the government introduced the change in 2016. Stamp duty receipts jumped by 17.5% between 2015 and 2016. The government collected £8590 million in revenue in 2016; compared £7310 million in 2015). The surcharge makes up for 46% of the total receipts collected by government.

Financial year	Total stamp duty receipts (millions)	HRAD* receipts (millions)	HRAD receipts % of residential receipts
2016-17	£8,590	£3,360	39%
2017-18	£9,276	£4,059	44%
2018-19	£8,373	£3,824	46%
2019-20	£8,422	£3,822	45%
2020-21	£6,010	£3,369	56%
2021-22 [prov]	£9,990	£4,574	46%

*Higher rates for additional dwellings

Non-resident stamp duty surcharge

A 2% surcharge on non-resident transactions was introduced in Q2 2021. It represents a small proportion of receipts (1.8%) and transactions (1%).

Year/ Quarter	Total stamp duty receipts (millions)	NR* receipts (millions)	NR receipts % of residential receipts	# of NR transactions	Total residential transactions
2021 Q2 [prov]	£8,590	£81	0.9%	2500	365,500
2021 Q3 [prov]	£9,276	£114	1.2%	2600	318,500
2021 Q4 [prov]	£8,373	£187	2.2%	2900	280,600
2022 Q1 [prov]	£8,422	£150	1.8%	2400	244,300

*non-residential

Conclusion and Recommendations

The data tells us that the stamp duty bands and thresholds need to be reviewed. **House prices have soared by around £100,000 between 2014 and 2022, but stamp duty bands have not changed**, meaning more people are penalised by the tax than the government intended. And it's not just first time buyers paying more tax. More homebuyers are being pushed into higher stamp duty bands as house prices increase.

We would like the government to go further and to **scrap stamp duty entirely for those buying a home to live in**. Given the piecemeal approach to reform, we now have a system that is a major obstacle to getting the housing market functioning properly, and is stopping people from moving. It's a tax on mobility.

It's a tax that puts off families from moving up the property ladder and making it more expensive for the elderly to downsize. It's a tax that is applied every time a property is bought and sold. As a result people are choosing not to move.

By abolishing stamp duty the market would be allowed to find its natural equilibrium. People would be able to move when they want to and the number of transactions would increase. There would be more chance for people to move up the market and therefore it would be easier for first-time buyers to get into the market. It will help those older people wanting to downsize and free up capital, but haven't as they have to pay stamp duty on a new purchase.

We continue to support the 3% surcharge on buy-to-let and second homes. Those buying a home to live in should be treated differently to those looking to make money out of property or buying a second home.

But falling short of that, we ask the government to:

1. **Raise the exempt threshold and bands by £100k**, in line with house price growth. These bands have not changed in 8 years. The average UK house price has risen approximately £100K in that eight year period; from £180K in 2014 to just under £280K in 2022.
2. Similarly, First time buyer relief has not been reviewed since 2017. The average UK house price has risen by approximately 60K or 29% over this period. The **first time buyer relief should be raised from £300k to £350k as a minimum**.
3. Commit to **raising thresholds annually in line with house prices**. This will reduce stamp duty costs for those downsizing and those buying an averagely priced home.
4. **Simplify the stamp duty surcharge**. Homebuyers buying a home to live in (i.e. their primary residence) should not have to pay the surcharge. The current system means that those who have inherited a property, who are going through a separation, or who own a rental property have to pay the surcharge on the *main property they intend to live in*. The change would align stamp duty with capital gains tax, which does not apply gains on primary residences.

Sources and methodology notes

1. UK, country and regional average house price data (March 2022, March 2014). [ONS house price data](#).
2. Stamp duty statistics: <https://www.gov.uk/government/statistics/quarterly-stamp-duty-land-tax-sdlt-statistics>
 - a. First time buyer data. Table 4 (% liable = liable transactions /# of FTB claims).
 - b. Liable transactions by band Table 2b (% liable = liable transactions in each band/ total liable transactions)
 - c. Higher rate stamp duty receipts stats from table 3a
3. Transaction numbers by stamp duty band calculation. Using constant number of transactions from 2020 ([table 1A residential transactions](#) 1,022,900), 30% in 2022 vs 33% 2020 exempt. 31.5K fewer buyers would be exempt from stamp duty in 2022. 44% of buyers in 2022 vs 38% in 2020 in bands over £250K, equating to +63K transactions.

Stamp duty rates: <https://www.gov.uk/stamp-duty-land-tax/residential-property-rates>

Property or lease premium or transfer value	SDLT rate
Up to £125,000	Zero
The next £125,000 (the portion from £125,001 to £250,000)	2%
The next £675,000 (the portion from £250,001 to £925,000)	5%
The next £575,000 (the portion from £925,001 to £1.5 million)	10%
The remaining amount (the portion above £1.5 million)	12%

First time buyer relief: to qualify, purchase price is no more than £500,000. FTB pay 0% on the first £300,000. 5% on the remainder up to £500,000.

Stamp duty rates for [additional homes stamp duty surcharge](#)